SGI CANADA Quarterly Report

September 2017

Management's Discussion and Analysis

Corporate Profile

Mission
We're your insurance company, protecting you, your family and your community

Vision
Accelerate growth through great customer experiences

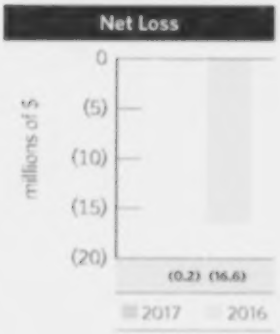
Values

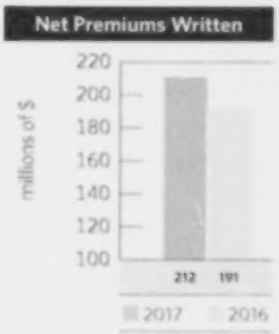
Integrity	Doing the right thing (by being accountable, honest, trustworthy and fair)
Caring	Understanding that empathy, courtesy and respect make an impact
Innovation	Transforming how we do things today for an even more successful tomorrow

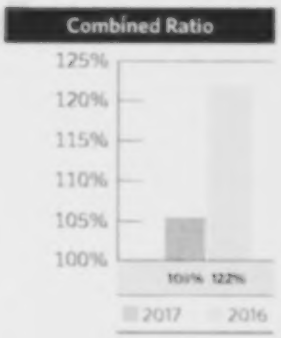
About SGI CANADA
Saskatchewan Government Insurance (SGI) operates a property and casualty insurance business in the Province of Saskatchewan, and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. (SCISL). SCISL operates directly in Alberta, Manitoba, British Columbia and Ontario. SCISL also has a wholly owned subsidiary, Coachman Insurance Company, that operates in Ontario. The Corporation employs about 2,000 people and its head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

Financial Highlights

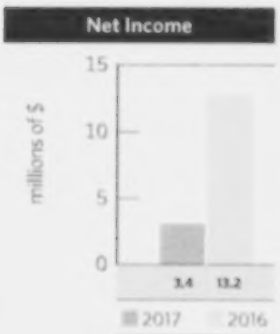
For the three months ended September 30

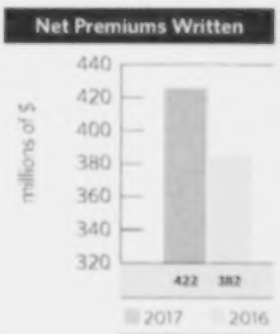


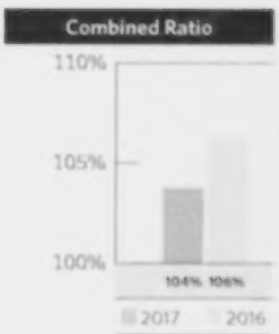


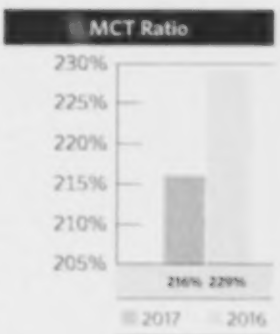


For the six months ended September 30









Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three and six-month periods ended September 30, 2017, along with the SGI CANADA MD&A and audited financial statements and supporting notes as at and for the year ended March 31, 2017. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to November 29, 2017.

Overview

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2017	2016	Change	2017	2016	Change
Net premiums written	211,772	190,965	20,807	422,458	382,333	40,125
Net income (loss)	(223)	(16,649)	16,426	3,406	13,192	(9,786)
Combined ratio	106%	122%	-16%	104%	106%	-2%
Minimum Capital Test				216%	229%	-13%

The Corporation continues to experience strong premium growth, with increases coming from all jurisdictions. Continuing with its growth strategy, the Corporation entered the standard market in Ontario in July offering personal property products, including auto. Despite growth in premium, storm activity contributed to an underwriting loss, which was offset by investment earnings resulting in a break-even first half of 2017.

Year-to-date investment earnings were $13.8 million compared to $29.2 million in the same period last year. Investment returns were positive for both Canadian and international equities but were offset by negative returns on fixed income investments due to increases in interest rates.

Capitalization remains adequate to support the premium growth, with a Minimum Capital Test (MCT) score of 216% at September 30, 2017.

Outlook

SGI CANADA is moving into the third quarter, which historically is a strong quarter from an underwriting perspective. The Corporation remains focused on underwriting fundamentals, including maintaining adequate pricing and diligent claim management, as well as providing outstanding service.

Investment markets remain driven by accommodative monetary policy, even as monetary authorities begin the process of normalizing interest rates. Interest rate volatility experienced in recent periods has generated increased variability in investment results although the relatively short duration of the Corporation's bond portfolio has helped protect against significant losses on fixed income investments. The Corporation continues to maintain a well-diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2017	2016	Change	2017	2016	Change
Net premiums earned	183,359	161,827	21,532	358,324	319,240	39,084
Net investment earnings	7,211	17,264	(10,053)	13,765	29,186	(15,421)

Premiums written by operating segment are noted below.

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2017	2016	Change	2017	2016	Change
Saskatchewan	142,467	134,328	8,139	286,837	269,181	17,656
Alberta	40,449	35,303	5,146	81,097	68,695	12,402
Ontario	21,423	18,619	2,804	41,207	36,520	4,687
Manitoba	8,607	7,362	1,245	16,592	14,028	2,564
British Columbia	2,670	1,445	1,225	5,516	2,670	2,846
Gross premiums written	215,616	197,057	18,559	431,249	391,094	40,155
Premiums ceded to reinsurers	(3,844)	(6,092)	2,248	(8,791)	(8,761)	(30)
Change in net unearned premiums	(28,413)	(29,138)	725	(64,134)	(63,093)	(1,041)
Net premiums earned	183,359	161,827	21,532	358,324	319,240	39,084

Gross premiums written in Saskatchewan increased 6.6% in the first six months, due primarily to the introduction of flood premium and inflation in personal lines and agro.

Alberta operations experienced growth of 18.1 % in the first six months, with personal lines, personal auto and commercial auto business contributing the majority of the increase. All products in Alberta have continued to have year-over-year premium growth.

The increase in Ontario premiums written of 12.8% is attributed primarily to increased personal auto sales volumes in the non-standard market. As well, SGI CANADA started selling personal lines and personal auto insurance to the standard market in Ontario under the SGI CANADA brand beginning in July 2017, contributing $1.6 million in premium written year to date.

The increase in Manitoba premiums written of 18.3% is attributed primarily to increased sales volumes in personal lines.

The Corporation continues to see significant policy growth in British Columbia, which is a relatively new market.

Investment earnings

Year-to-date investment earnings were significantly lower than the comparable period last year due to lower equity returns and negative fixed income returns. The year-to-date market value rate of return at September 30, 2017 was 1.2%, compared to the 2.9% return for the six-month period ended September 30, 2016.

Expenses

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2017	2016	Change	2017	2016	Change
Net claims incurred	130,446	134,604	(4,158)	242,689	215,926	26,763
Other expenses	64,011	63,398	613	129,283	121,190	8,093
	194,457	198,002	(3,545)	371,972	337,116	34,856
Combined ratio	106.1%	122.4%	-16.3%	103.8%	105.6%	-1.8%
Loss ratio	71.1%	83.2%	-12.1%	67.7%	67.6%	0.1%

Expenses are comprised of net claims incurred and other expenses, which include commissions, administrative expenses and premium taxes.

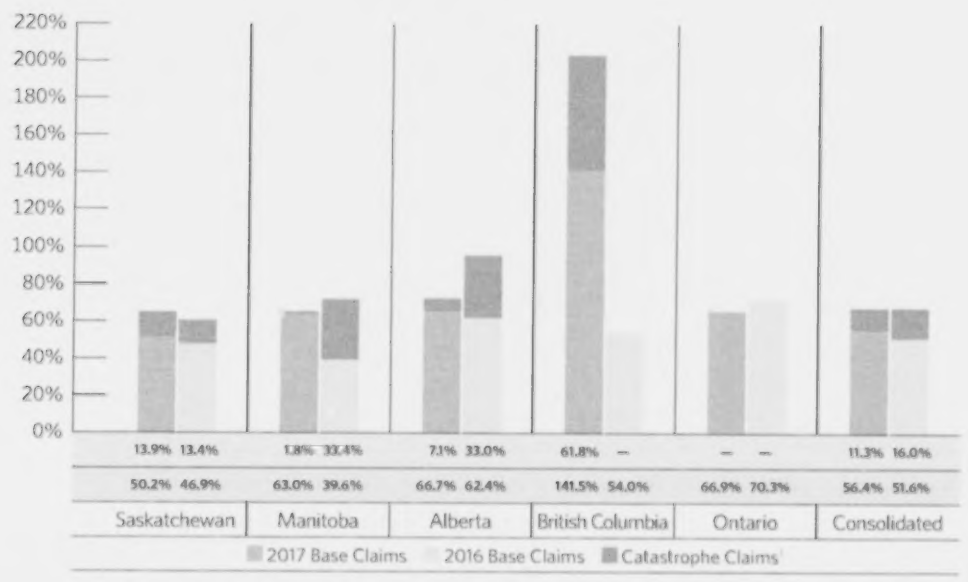
Net claims incurred

The consolidated loss ratio was consistent with 2016, however claims incurred were up 12.4%. This was due to increased claims across all jurisdictions, due primarily to increased exposure.

The following chart summarizes second quarter loss ratios by jurisdiction:

Loss Ratios

six months ended September 30



[1] *Catastrophe claims, also referred to as storm claims, represent claims occurring from a single event, limited to a period between 96 and 168 hours, with an estimated cost greater than $2.5 million (Saskatchewan) or $1 million (other jurisdictions). Catastrophic events for the Corporation generally relate to summer wind, rain and hail storms, forest fires and winter ice storms.*

Saskatchewan's loss ratio of 64.1% is higher than last year's six-month ratio of 60.3%. This was driven by a higher number of personal and commercial auto claims. As well, storm claims increased from $29.8 million in 2016 to $33.2 million in the current year.

Manitoba's loss ratio decreased from 73.0% in 2016 to 64.8% in 2017 due to a decrease in storm claims. During the six months ended September 30, 2017, there were storm claims of $233,000, compared to $3.6 million in 2016. This decrease was partially offset by large personal lines losses.

The Alberta loss ratio decreased from 95.4% in 2016 to 73.8% in 2017 due to a decrease in catastrophic storm claims. Storm activity decreased to $4.8 million in claims, compared to $17.8 million in the same period in 2016.

The loss ratio for British Columbia increased from 54.0% in 2016 to 203.3% in 2017 due to catastrophic claims resulting from wildfires, as well as large losses. During the six months ended September 30, 2017, there were storm claims of $2.3 million whereas there were none in 2016. Large losses amounted to $3.2 million, and were primarily commercial lines claims.

Ontario's loss ratio of 66.9% is lower than last year's six-month ratio of 70.3%, due to improved auto results.

Other expenses

For the first six months, other expenses increased $8.1 million compared to the same period in 2016. This was due largely to higher commissions and premium taxes, which is consistent with the premium growth.

Statement of Financial Position Review

	(thousands of $)		
	September 30 2017	March 31 2017	Change
Total assets	**1,413,983**	**1,335,616**	**78,367**
Key asset account changes:			
Cash and cash equivalents	42,157	26,324	15,833
Accounts receivable	233,724	194,239	39,485
Investments	962,231	932,286	29,945
Reinsurers' share of unearned premiums	15,481	29,607	(14,126)
Deferred policy acquisition costs	95,823	84,362	11,461

The increase in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. Accounts receivable increased as a result of growth in amounts due from customers and brokers, a direct result of higher premium volumes in the quarter ended September 30, 2017 compared to the year ended March 31, 2017. The carrying value of investments increased by $29.9 million, reflecting increasing market values and purchases of long-term securities from positive cash flows from operations. Reinsurers' share of unearned premiums is lower than March 31, 2017 as most annual reinsurance contracts are written in January and earned over the remainder of the year. Deferred policy acquisition costs increased as a result of the increase in premium written for the trailing 12-month period ending September 30 compared to the 12-month period ending March 31.

	(thousands of $)		
	September 30 2017	March 31 2017	Change
Total liabilities	**1,059,871**	**972,568**	**87,303**
Key liability account changes:			
Dividend payable	6,250	24,250	(18,000)
Premium taxes payable	24,571	6,706	17,865
Amounts due to reinsurers	11,510	28,376	(16,866)
Unearned premiums	409,186	359,178	50,008
Provision for unpaid claims	545,058	494,045	51,013

The decrease in dividends payable is the result of a large year-end accrual, which was paid during the first quarter. Premium taxes payable are higher than at March 31, 2017, as premium taxes are paid annually in March. The liability will continue to grow throughout the year until paid in the following March. Amounts due to reinsurers decreased as most reinsurance agreements are written in January, but paid throughout the year. The increase in unearned premiums is the result of the increase in premium written for the trailing 12-month period ending September 30 compared to the 12-month period ending March 31. The increase in the provision for unpaid claims is due primarily to catastrophic storm claims. Key components of the change in the provision for unpaid claims are outlined in the preceding section, Claims incurred.

	(thousands of $)		
	September 30 2017	March 31 2017	Change
Total equity	**354,112**	**363,048**	**(8,936)**
Key equity account changes:			
Retained earnings	274,112	283,048	(8,936)

The decrease in retained earnings is attributable to the $3.4 million consolidated net income and other comprehensive income of $158,000, offset by dividends declared of $12.5 million. The other comprehensive income represents actuarial gains associated with the Corporation's defined benefit pension and service recognition plans.

Cash Flow and Liquidity

	(thousands of $)		
	six months ended September 30		
	2017	2016	Change
Operating activities	73,322	69,174	4,148
Investing activities	(26,989)	(40,764)	13,775
Financing activities	(30,500)	(28,500)	(2,000)
Net cash flow	15,833	(90)	15,923

Cash flows from operating activities of $73.3 million were used to purchase long-term investments of $26.5 million, property and equipment of $504,000, fund the $30.5 million dividend payment and increase cash and cash equivalents by $15.8 million.

Capital

	As at September 30	
	2017	2016
Minimum Capital Test	216%	229%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2017, the Corporation's MCT was 216% (September 30, 2016 - 229%), which is in excess of the 213% internal target used as a minimum for regulatory purposes. For further information on capital management, refer to note 8 of the notes to the unaudited consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for SGI CANADA:

	(thousands of $)					
	three months ended					
	2017-18		2016-17			
	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30
Net premiums written	211,772	210,686	126,593	184,688	190,965	191,368
Net premiums earned	183,359	174,965	168,690	168,502	161,827	157,413
Net claims incurred	130,446	112,243	93,733	87,020	134,604	81,322
Net income (loss)	(223)	3,629	30,376	21,604	(16,649)	29,841
Cash flow from (used in) operations	39,513	33,809	(20,416)	41,463	40,229	28,946
Investments	962,231	942,121	932,286	945,890	916,575	875,188
Provision for unpaid claims	545,058	519,908	494,045	491,842	500,976	437,050
Minimum Capital Test	216%	229%	243%	242%	229%	262%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- Claims incurred typically peak in the second quarter due to hail storms, flooding and forest fires that can occur.
- With the exception of the fourth quarter, the Corporation generates positive cash flow from operations. Cash is typically low during that quarter as the Corporation pays its annual premium taxes to the province in March. Operating cash flows are generally strong throughout the remainder of the year and during this time excess cash generated is directed to investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include competition, distribution channel, privacy breach, catastrophic claim losses, acquisition and development of expertise, strategy, systems security, employee change agility, product design and pricing and underwriting. These risks are described in detail in the Corporation's 2016-17 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2016-17 Annual Report.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2016-17 Annual Report.

Off balance sheet arrangements

SGI CANADA, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position, commonly referred to as the balance sheet. These items include litigation, structured settlements and a long-term telecommunications contract. There have been no new off balance sheet arrangements during the quarter. For further details on off balance sheet arrangements, refer to the 2016-17 Annual Report.

Caution regarding forward-looking statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document.

Condensed Consolidated Statement of Financial Position

	(thousands of $)	
	September 30 2017 (unaudited)	March 31 2017 (audited)
Assets		
Cash and cash equivalents	$ 42,157	$ 26,324
Accounts receivable	233,724	194,239
Investments under security lending program (note 5)	263,414	222,956
Investments (note 5)	698,817	709,330
Unpaid claims recoverable from reinsurers	41,349	43,320
Reinsurers' share of unearned premiums	15,481	29,607
Deferred policy acquisition costs	95,823	84,362
Property and equipment	19,244	21,839
Deferred income tax asset	3,974	3,639
	$ 1,413,983	$ 1,335,616
Liabilities		
Accounts payable and accrued liabilities	$ 38,896	$ 35,515
Dividend payable	6,250	24,250
Premium taxes payable	24,571	6,706
Amounts due to reinsurers	11,510	28,376
Unearned reinsurance commissions	4,055	3,155
Unearned premiums	409,186	359,178
Accrued pension liability	19,451	20,396
Provision for unpaid claims	545,058	494,045
Deferred income tax liability	894	947
	1,059,871	972,568
Equity		
Equity advances	80,000	80,000
Retained earnings	274,112	283,048
Province of Saskatchewan's equity	**354,112**	363,048
	$ 1,413,983	$ 1,335,616

Contingencies (note 13)
The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Operations

For the periods ended September 30	(thousands of $) three months ended 2017 (unaudited)	three months ended 2016 (unaudited)	six months ended 2017 (unaudited)	six months ended 2016 (unaudited)
Gross premiums written	$ 215,616	$ 197,057	$ 431,249	$ 391,094
Premiums ceded to reinsurers	(3,844)	(6,092)	(8,791)	(8,761)
Net premiums written	211,772	190,965	422,458	382,333
Change in net unearned premiums	(28,413)	(29,138)	(64,134)	(63,093)
Net premiums earned	**183,359**	161,827	**358,324**	319,240
Gross claims incurred	131,555	153,261	250,927	233,780
Ceded claims incurred	(1,109)	(18,657)	(8,238)	(17,854)
Net claims incurred	130,446	134,604	242,689	215,926
Commissions	38,505	38,441	75,590	71,104
Administrative expenses	16,839	17,350	36,798	35,226
Premium taxes	8,667	7,607	16,895	14,860
Total claims and expenses	**194,457**	198,002	**371,972**	337,116
Underwriting loss	**(11,098)**	(36,175)	**(13,648)**	(17,876)
Net investment earnings (note 6)	7,211	17,264	13,765	29,186
Income (loss) before income taxes	**(3,887)**	(18,911)	**117**	11,310
Income tax recovery	(3,664)	(2,262)	(3,289)	(1,882)
Net income (loss)	**(223)**	(16,649)	**3,406**	13,192
Other comprehensive income (loss)	(661)	(608)	158	282
Comprehensive income (loss)	**$ (884)**	$ (17,257)	**$ 3,564**	$ 13,474

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the periods ended September 30	(thousands of $) six months ended 2017 (unaudited)	2016 (unaudited)
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 283,048	$ 259,958
Net income	3,406	13,192
Other comprehensive income	158	282
Dividends	(12,500)	(12,500)
Balance, end of period	**$ 274,112**	$ 260,932
Total Province of Saskatchewan's equity	**$ 354,112**	$ 340,932

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the periods ended September 30	(thousands of $) six months ended 2017 (unaudited)	2016 (unaudited)
Cash provided by (used for):		
Operating activities		
Net income	$ 3,406	$ 13,192
Non-cash items:		
Bond amortization	2,122	2,068
Depreciation	3,099	3,314
Net realized gains on sale of investments	(445)	(3,202)
Net unrealized gains on change in market value of investments	(5,137)	(18,542)
Actuarial gain on employee benefit plans	158	282
Deferred income taxes	(388)	(387)
Change in non-cash operating items (note 9)	70,507	72,449
	73,322	69,174
Investing activities		
Purchases of investments	(401,475)	(417,181)
Proceeds on sale of investments	374,990	378,624
Purchases of property and equipment, net of proceeds from disposals	(504)	(2,207)
	(26,989)	(40,764)
Financing activities		
Dividends paid	(30,500)	(28,500)
	(30,500)	(28,500)
Increase (decrease) in cash and cash equivalents	**15,833**	(90)
Cash and cash equivalents, beginning of period	26,324	26,853
Cash and cash equivalents, end of period	**$ 42,157**	$ 26,763
Supplemental cash flow information:		
Interest received	$ 5,846	$ 5,226
Dividends received	$ 485	$ 570
Income taxes paid	$ 625	$ 1,619

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 2017

1. Nature of Operations

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA, is incorporated, registered and conducts a property and casualty insurance business in the Province of Saskatchewan, and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. (SCISL). SCISL operates directly in Alberta, Manitoba, British Columbia and Ontario. SCISL also has a wholly owned subsidiary, Coachman Insurance Company (Coachman), that operates in Ontario. The address of the Corporation's registered head office is 2260-11th Avenue, Regina, SK, Canada.

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario, and represent approximately 16.8% (September 30, 2016 - 16.0%) of the Corporation's consolidated gross premiums written.

SGI was established as a branch of the public service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SCISL and Coachman are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. Basis of Preparation

Statement of compliance
The unaudited interim consolidated financial statements for the three and six-month period ended September 30, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the March 31, 2017 Annual Report. Full disclosures will be included in the consolidated annual financial statements.

Basis of measurement
The unaudited interim consolidated financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet (non-current) presented in the notes.

Functional and presentation currency

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Use of estimates and judgment

The preparation of the unaudited interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims and the valuation of investments classified as Level 3.

3. Significant Accounting Policies

Basis of consolidation

The unaudited interim consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SCISL and Coachman. All inter-company accounts and transactions have been eliminated on consolidation. While Coachman and SCISL's year ends are both December 31, their financial accounting records have been consolidated using the same fiscal period as the Corporation. The financial accounting records of the Corporation and its subsidiaries are prepared using consistent accounting policies.

Financial assets and liabilities

The measurement basis for financial assets depends on whether the financial assets have been classified as amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification requirements for financial asset debt and equity instruments are described as follows:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Financial assets that are held for collection of cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are classified as FVOCI. Financial assets classified as FVOCI are measured at fair value with changes in fair value recorded in other comprehensive income (OCI); except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument's amortized cost which are recognized in net income. Financial assets not measured at amortized cost or at FVOCI must be classified as FVPL. Financial assets classified as FVPL are measured at fair value and changes in fair value are recognized in net income.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, such as common shares. All equity investments are classified as FVPL, except where the Corporation has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, changes in fair value are recorded in OCI and are not subsequently reclassified to net income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, are recognized in net income when declared.

The measurement basis for financial liabilities depends on whether the financial liabilities have been classified as amortized cost or FVPL. Financial liabilities are classified as FVPL when they meet the definition of held for trading or when they are designated as such at initial recognition. Financial liabilities classified as FVPL are measured at fair value and changes in fair value are presented partially in OCI (the amount attributable to changes in credit risk of the liability) and partially in net income (the remaining amount of change in fair value of the liability). Financial liabilities not classified as FVPL are measured at amortized cost using the effective interest method, less provision for impairment losses, if any.

The Corporation has designated cash and cash equivalents and investments as FVPL. Accounts receivable are designated as amortized cost. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as amortized cost. Unpaid claims recoverable from reinsurers, amounts due to reinsurers and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Consolidated Statement of Operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. There are no financial assets and financial liabilities reported as offset in these consolidated financial statements.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Corporation defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian common shares and equity investment funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Corporation does not adjust the quoted price for such investments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments and bonds and debentures. Fair value for short-term investments and bonds and debentures is based on, or derived from, market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or

estimation. Assets classified as Level 3 include the mortgage investment fund and real estate investment fund. The fair value of these investments is based on the Corporation's shares of the net asset value of the respective fund, as determined by its investment manager, and used to value purchases and sales of units in the investments. The primary valuation methods used by the investment managers are as follows:

- The fair value for the mortgage investment fund is determined based on market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.
- The fair value of the real estate investment fund is determined based on the most recent appraisals of the underlying properties. Real estate properties are appraised semi-annually by external, independent professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted appraisal standards and procedures, and are based primarily on the discounted cash flow and income capitalization methods.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividend payable and premium taxes payable approximate their carrying values due to their short-term nature.

Investments

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Corporation has transferred substantially all risks and rewards of ownership.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, investment fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold, and unrealized gains and losses based on changes in market value of the investments held at the period-end date. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the period-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current period. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current period.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract transfers significant risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written that are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Consolidated Statement of Financial Position.

A liability adequacy test is performed annually, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the period-end date. The estimate includes the cost of reported claims, claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

Reinsurance ceded

The Corporation uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Consolidated Statement of Financial Position. Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively. Insurance ceded does not relieve the Corporation of its primary obligation to policyholders.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Operations.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized, probable being defined as more likely than not.

Employees' future benefits

The Corporation provides a defined contribution pension plan, a defined benefit pension plan and defined benefit service recognition plans that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The Corporation's defined benefit pension plan is available to certain of its employees and has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions that are made to a separately administered fund and are determined by periodic actuarial calculations taking into account the recommendations of a qualified actuary.

Responsibility for governance of the plan lies with the Corporation. The Corporation has a Pension Committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers, an actuary, and a custodian.

Plan assets consist primarily of fixed income and equity investment funds and are carried at fair value. Plan assets are not available to creditors of the Corporation nor can they be paid directly to the Corporation.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service, and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments that are denominated in the currency in which the benefits will be paid, with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise.

The accrued benefit asset (liability) is the fair value of plan assets out of which the obligation is to be settled directly, less the present value of the defined benefit obligation. It is restricted to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

By design, the plan exposes the Corporation to the typical risks faced by defined benefit pension plans such as investment performance, changes to the discount rate used to value the obligation, longevity of plan members, and future price inflation. Pension risk is managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

The Corporation provides defined benefit service recognition plans for certain management and in-scope (union) employees for the purpose of providing retirement benefits. Employees in the plans are eligible for benefits at the earlier of age plus service equal to or greater than 75, or age 50. Upon retirement, employees meeting the eligibility criteria receive a lump sum payment of five days for management and three days for in-scope (union) employees for each year of continuous service, less ineligible time and ineligible partial service time. A participant who dies while

a member of either plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation. Effective December 31, 2011, the defined benefit service recognition plan for unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

The accrued benefit obligation of the service recognition plans is funded by the Corporation as eligible employees terminate employment. The cost of the plans is determined using the projected unit credit method prorated on service. Expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

By design, the service recognition plans expose the Corporation to risks such as changes to the discount rate used to value the obligation, expected salary increases and duration of employee service. These risks are managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand less outstanding cheques.

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property and equipment, and therefore no borrowing costs have been capitalized. Subsequent costs are included in the assets' carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation, and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Consolidated Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and the residual values of the assets are reviewed at each reporting date.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Building	40 years
Building components	15-30 years
Computer hardware and other equipment	3-5 years

Building components consists of heating and cooling systems, elevators, roofs and parking lots. Land is not subject to amortization and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Leased assets

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

Provisions and contingent liabilities

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Structured settlements

In the normal course of claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Operations at the date of the purchase and the related claim liabilities are de-recognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes net actuarial gains (losses) on the employee defined benefit pension plan and service recognition plans. These items of OCI are not reclassified subsequently to net income.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. generally accepted accounting principles. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts*, and financial instruments within the scope of IFRS 9, *Financial Instruments*, therefore, this standard will have a limited impact on the Corporation.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and is intended to replace IAS 17, *Leases*, and related interpretations. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is evaluating the impact this standard will have on the consolidated financial statements.

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 on the accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. IFRS 17 applies to annual periods beginning on or after January 1, 2021, with earlier application permitted if IFRS 15 and IFRS 9 are also adopted. The standard is to be applied restrospectively unless impracticable, in which case a modified retrospective approach or fair value approach is to be used for transition. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The standard represents a comprehensive IFRS accounting model for insurance contracts and is expected to have a significant impact on financial reporting of insurers. The Corporation is evaluating the impact this standard will have on the consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 and is intended to clarify the accounting for uncertainties in income taxes. The interpretation addresses the determination of taxable income (loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. It specifically considers whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable income (loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Corporation is evaluating the impact this interpretation will have on the consolidated financial statements.

4. Change in Accounting Policy

The Corporation adopted IFRS 9, *Financial Instruments*, with a date of transition of April 1, 2017. The Corporation did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Corporation elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and liabilities at the date of transition were determined to be immaterial and were therefore recognized in net income in the current period. For notes disclosures, the consequential amendments to IFRS 7, *Disclosures*, have also only been applied to the current period. The comparative period note disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 resulted in no changes in the accounting policies for classification and measurement of financial assets and liabilities. There were immaterial changes related to the impairment of financial assets as the prior period's closing impairment allowance was measured in accordance with the IAS 39 incurred loss model and the new impairment allowance is measured in accordance with the IFRS expected loss model at April 1, 2017.

5. Investments

The carrying and fair values of the Corporation's investments are as follows:

	(thousands of $)	
	September 30 2017	**March 31 2017**
Short-term investments	$ 111,072	$ 108,033
Bonds and debentures	218,032	247,493
Canadian common shares	27,974	30,705
Investment funds:		
Canadian equity	13,815	13,599
Global equity	135,515	129,494
Global small cap equity	26,635	24,750
Mortgage	119,276	117,514
Real estate	46,498	37,742
	698,817	709,330
Investments under securities lending program		
Bonds and debentures	254,385	211,177
Canadian common shares	9,029	11,779
	263,414	222,956
Total investments	$ 962,231	$ 932,286

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities or, if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 105% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At September 30, 2017, the Corporation held collateral of $276,748,000 (March 31, 2017 - $234,106,000) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

	(thousands of $)			
	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 111,072	$ –	$ 111,072
Bonds and debentures	–	472,417	–	472,417
Canadian common shares	37,003	–	–	37,003
Investment funds:				
Canadian equity	13,815	–	–	13,815
Global equity	135,515	–	–	135,515
Global small cap equity	26,635	–	–	26,635
Mortgage	–	–	119,276	119,276
Real estate	–	–	46,498	46,498
	$ 212,968	$ 583,489	$ 165,774	$ 962,231

	(thousands of $)			
	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 108,033	$ –	$ 108,033
Bonds and debentures	–	458,670	–	458,670
Canadian common shares	42,484	–	–	42,484
Investment funds:				
Canadian equity	13,599	–	–	13,599
Global equity	129,494	–	–	129,494
Global small cap equity	24,750	–	–	24,750
Mortgage	–	–	117,514	117,514
Real estate	–	–	37,742	37,742
	$ 210,327	$ 566,703	$ 155,256	$ 932,286

The Corporation's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	six months ended	12 months ended
	September 30 2017	March 31 2017
Balance, beginning of the period	$ 155,256	$ 131,345
Additions during the period		
Mortgage investment fund	–	4,371
Real estate investment fund	6,466	17,203
Net unrealized gains	4,052	2,337
Balance, end of period	$ 165,774	$ 155,256

Investment in the mortgage investment fund and the real estate investment fund are valued using the Corporation's share of the net asset value of the respective fund as at the period end date.

During the period ended September 30, 2017 and March 31, 2017, no investments were transferred between levels.

6. Net Investment Earnings

Components of net investment earnings are as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Net unrealized gains on change in market value of investments	$ 3,049	$ 11,895	$ 5,137	$ 18,542
Interest	2,281	1,902	4,377	3,792
Premium financing	1,900	1,741	3,728	3,456
Investment fund distributions	274	–	684	549
Dividends	214	280	476	585
Net realized gains on sale of investments	47	1,925	445	3,202
Total investment earnings	7,765	17,743	14,847	30,126
Investment expenses	(554)	(479)	(1,082)	(940)
Net investment earnings	$ 7,211	$ 17,264	$ 13,765	$ 29,186

Details of the net unrealized gains (losses) on change in market value of investments is as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Bonds and debentures	$ (2,920)	$ 282	$ (5,757)	$ 953
Canadian common shares	1,045	1,529	(596)	2,859
Investment funds:				
Canadian equity	452	598	133	1,166
Global equity	2,038	5,975	5,420	8,014
Global small cap equity	732	1,877	1,885	1,544
Mortgage	703	1,263	1,762	3,249
Real estate	999	371	2,290	757
	$ 3,049	$ 11,895	$ 5,137	$ 18,542

7. Insurance and Financial Risk Management

The Corporation has established an enterprise risk management policy. The Board of Directors approved this policy, and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also results in significant financial risks, as the Corporation's Statement of Financial Position consists primarily of financial instruments. Financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

	(thousands of $) three months ended September 30, 2017				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 40,311	$ 79,885	$ 12,734	$ 9,537	$ 142,467
Manitoba	–	5,775	1,848	984	8,607
Alberta	20,599	14,509	2,889	2,452	40,449
Ontario	16,124	2,479	1,822	998	21,423
British Columbia	–	1,243	970	457	2,670
Total	$ 77,034	$ 103,891	$ 20,263	$ 14,428	$ 215,616

	(thousands of $) three months ended September 30, 2016				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 40,686	$ 72,279	$ 12,352	$ 9,010	$ 134,327
Manitoba	–	4,733	1,703	926	7,362
Alberta	18,798	12,113	2,307	2,084	35,302
Ontario	13,563	2,234	1,829	994	18,620
British Columbia	–	473	698	275	1,446
Total	$ 73,047	$ 91,832	$ 18,889	$ 13,289	$ 197,057

	(thousands of $) six months ended September 30, 2017				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 84,776	$ 155,239	$ 26,607	$ 20,215	$ 286,837
Manitoba	–	10,441	3,976	2,175	16,592
Alberta	42,034	27,813	6,256	4,994	81,097
Ontario	30,455	4,738	3,766	2,248	41,207
British Columbia	–	2,472	2,106	938	5,516
Total	$ 157,265	$ 200,703	$ 42,711	$ 30,570	$ 431,249

	(thousands of $) six months ended September 30, 2016				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 84,136	$ 139,863	$ 26,103	$ 19,079	$ 269,181
Manitoba	–	8,419	3,628	1,981	14,028
Alberta	36,292	23,040	5,057	4,306	68,695
Ontario	26,364	4,221	3,801	2,134	36,520
British Columbia	–	835	1,285	550	2,670
Total	$ 146,792	$ 176,378	$ 39,874	$ 28,050	$ 391,094

The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2017	March 31 2017	September 30 2017	March 31 2017	September 30 2017	March 31 2017
Automobile	$ 249,974	$ 232,637	$ 16,068	$ 16,116	$ 233,906	$ 216,521
Personal property	150,871	122,239	14,732	17,512	136,139	104,727
Commercial property	39,615	34,688	8,772	5,477	30,843	29,211
Liability	70,660	69,563	963	2,516	69,697	67,047
Assumed	4,162	4,033	–	–	4,162	4,033
PFAD and discounting	22,263	24,329	814	1,699	21,449	22,630
Facility Association	7,513	6,556	–	–	7,513	6,556
Total	$ 545,058	$ 494,045	$ 41,349	$ 43,320	$ 503,709	$ 450,725

The concentration of insurance risk by region is summarized below by reference to unpaid claims liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2017	March 31 2017	September 30 2017	March 31 2017	September 30 2017	March 31 2017
Saskatchewan	$ 266,906	$ 241,941	$ 21,793	$ 24,988	$ 245,113	$ 216,953
Ontario	145,324	144,277	15,290	14,678	130,034	129,599
Alberta	108,611	94,370	1,562	3,535	107,049	90,835
Manitoba	10,862	9,303	72	99	10,790	9,204
British Columbia	11,323	2,251	2,632	20	8,691	2,231
Maritimes	2,032	1,903	–	–	2,032	1,903
Total	$ 545,058	$ 494,045	$ 41,349	$ 43,320	$ 503,709	$ 450,725

Reinsurance

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of $)	
	September 30 2017	March 31 2017
Dwelling and farm property	$ 1,000	$ 1,000
Unlicensed vehicles	1,000	1,000
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500

In addition, the Corporation carries property and auto physical damage catastrophe reinsurance limiting combined exposure to $15,000,000 per event (subject to an annual aggregate deductible of $15,000,000).

While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial risk

Establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances, and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period-end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

Financial risk

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from customers, brokers and reinsurers) and certain investments.

The maximum credit risk to which the Corporation is exposed is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	September 30 2017	March 31 2017
Cash and cash equivalents	$ 42,157	$ 26,324
Accounts receivable	233,724	194,239
Fixed income investments[1]	702,765	684,217
Unpaid claims recoverable from reinsurers	41,349	43,320

[1] Includes short-term investments, bonds and debentures, and the mortgage investment fund

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the annual consolidated financial statements.

Cash and cash equivalents include money market investments of $53,131,000 less bank overdraft, net of outstanding cheques of $10,974,000 (March 31, 2017 - money market investments of $40,705,000 less bank overdraft, net of outstanding cheques of $14,381,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable generally consist of balances outstanding for one year or less.

	(thousands of $)	
	September 30 2017	March 31 2017
Current	$ 231,119	$ 192,802
30 - 59 days	1,552	1,255
60 - 90 days	638	723
Greater than 90 days	12,155	10,341
Subtotal	245,464	205,121
Allowance for doubtful accounts	(11,740)	(10,882)
Total	$ 233,724	$ 194,239

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	(thousands of $)	
	six months ended	12 months ended
	September 30 2017	March 31 2017
Balance, beginning of period	$ 10,882	$ 9,512
Accounts written off	(1,450)	(2,325)
Current period provision	2,308	3,695
Balance, end of period	$ 11,740	$ 10,882

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Corporation of its primary obligation to the policyholder. Reinsurers are typically required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M. Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage investment fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

	September 30, 2017		March 31, 2017	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 171,986	36.4	$ 153,506	33.5
AA	109,845	23.3	136,972	29.9
A	130,528	27.6	113,817	24.8
BBB	60,058	12.7	54,375	11.8
Total	$ 472,417	100.0	$ 458,670	100.0

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The Corporation's investment in the mortgage investment fund is subject to credit risk as its value is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage investment fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Net investment earnings	$ (15,598)	$ (13,577)	$ 15,598	$ 13,577
Net claims incurred	(13,118)	(11,610)	13,118	11,610
Income (loss) before income taxes	(2,480)	(1,967)	2,480	1,967

Foreign exchange risk

The investment policy defines maximum limits to exchange rate sensitive assets within the investment portfolio. The following table indicates the exposure to exchange rate sensitive assets and provides the sensitivity to a 10% appreciation/depreciation in the Canadian dollar and the corresponding decrease/increase in net income and retained earnings:

	(%)			(thousands of $)	
		Current Exposure		10% change in exchange rates	
Asset Class	Maximum Exposure	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Global equities	16.0	14.1	12.7	$ 13,551	$ 11,605
Global small cap equities	4.0	2.8	2.4	2,663	2,215

As the global equity funds are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income. There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers. The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 22.1% (March 31, 2017 - 22.6%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. It is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousands of $)			
Asset Class	September 30, 2017		March 31, 2017	
Canadian equities	$ +/-	9,249	$ +/-	10,207
Global equities	+/-	30,355	+/-	29,007
Global small cap equities	+/-	5,806	+/-	5,386

The Corporation's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from investing activities.

8. Capital Management

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd., and Coachman Insurance Company, are subject to rate regulation related to their automobile premiums. Although not federally regulated, SGI CANADA has chosen to follow the guidance provided by the OSFI in determining and monitoring capital targets.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

The Board of Directors has approved Capital Management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used by the regulators as minimum targets for supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation and its subsidiaries maintain MCTs in excess of their internal targets.

9. Change in Non-Cash Operating Items

The change in non-cash operating items is comprised of the following:

	(thousands of $)	
	three months ended September 30	
	2017	2016
Accounts receivable	$ (39,485)	$ (32,435)
Unpaid claims recoverable from reinsurers	1,971	(12,919)
Reinsurers' share of unearned premiums	14,126	13,422
Deferred policy acquisition costs	(11,461)	(11,632)
Accounts payable and accrued liabilities	3,381	2,844
Premium taxes payable	17,865	16,365
Amounts due to reinsurers	(16,866)	(12,656)
Unearned reinsurance commissions	900	411
Unearned premiums	50,008	49,671
Accrued pension liability	(945)	(844)
Provision for unpaid claims	51,013	60,222
	$ 70,507	$ 72,449

10. Employee Salaries and Benefits

The Corporation incurs salary and retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefit costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

The total salary and benefits expenses incurred during the period are as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Salaries	$ 32,705	$ 34,414	$ 65,893	$ 66,557
Defined contribution pension plan	2,022	1,988	4,056	3,982
Defined benefit pension plan	17	18	34	36
Defined benefit service recognition plans	173	193	346	386
Other benefits	3,290	3,235	8,091	8,707
Total salaries and benefits	38,207	39,848	78,420	79,668
Less: Allocation to Saskatchewan Auto Fund	(21,905)	(24,869)	(44,464)	(49,721)
Salaries and benefits incurred in SGI CANADA	$ 16,302	$ 14,979	$ 33,956	$ 29,947

Defined contribution pension plan

The Corporation has employees who are members of the Public Employees Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to those contributions made on behalf of the employees for their current service.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2016. The next valuation is anticipated to have a valuation date of December 31, 2019.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Pension expense for the defined benefit pension plan is as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Interest cost	$ 17	$ 18	$ 34	$ 36
Pension expense	$ 17	$ 18	$ 34	$ 36

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Current service cost	$ 36	$ 49	$ 73	$ 98
Interest cost	137	144	273	288
Pension expense	$ 173	$ 193	$ 346	$ 386

Actuarial (gains) losses recognized in other comprehensive income (loss)

Other comprehensive income (loss) results from changes to actuarial assumptions used to calculate the liabilities of the employee benefit plans and differences in the actual return on employee benefit plan assets versus estimated returns on these assets. The discount rate is the only key assumption that changed during the period, as follows:

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
March 31, 2016	3.40%	3.10% – 3.20%
September 30, 2016	3.00%	2.70% – 2.80%
March 31, 2017	3.30%	3.00% – 3.20%
September 30, 2017	3.30%	3.10% – 3.20%

Cumulative actuarial (gains) losses are as follows:

	(thousands of $)	
	six months ended September 30	
	2017	2016
Cumulative actuarial losses, beginning of period	$ 6,133	$ 7,051
Gain recognized during the first quarter	(819)	(890)
Loss recognized during the second quarter	661	608
Cumulative actuarial losses, end of period	$ 5,975	$ 6,769

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include Board members, President and Chief Executive Officer and Executive Vice Presidents of the Corporation.

Key management personnel compensation is comprised of:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Salaries and benefits	$ 875	$ 611	$ 1,797	$ 1,673
Post-employee benefits	10	8	19	17
Contributions to defined contribution plan	54	51	115	108
	$ 939	$ 670	$ 1,931	$ 1,798

11. Facility Association Participation

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2017	2016	2017	2016
Gross premiums written	$ 1,293	$ 1,440	$ 3,524	$ 3,306
Net premiums earned	$ 1,205	$ 1,186	$ 2,942	$ 2,570
Net claims incurred	1,208	1,050	2,960	2,526
Commissions	85	110	228	160
Premium taxes	89	36	145	88
Administrative expenses	337	342	918	844
Total claims and expenses	1,719	1,538	4,251	3,618
Underwriting loss	(514)	(352)	(1,309)	(1,048)
Investment earnings (loss)	(4)	9	7	17
Net loss	$ (518)	$ (343)	$ (1,302)	$ (1,031)

12. Select Operating Information

The Corporation provides property and casualty insurance directly in Saskatchewan, and through its subsidiaries, SGI CANADA Insurance Services Ltd. operating in Alberta, Manitoba, Ontario and British Columbia, and Coachman Insurance Company operating in Ontario. The performance of each subsidiary is reported separately to the Corporation's Board of Directors.

The product offerings vary across the jurisdictions, but all products offered are considered property and casualty insurance.

	(thousands of $)			
	three months ended September 30, 2017			
	Saskatchewan	SCISL	Coachman	Total
Net premiums written	$ 139,248	$ 52,839	$ 19,685	$ 211,772
Net premiums earned	122,811	42,232	18,316	183,359
Net claims incurred	75,933	40,853	13,660	130,446
Other expenses	43,428	14,857	5,726	64,011
Underwriting income (loss)	3,450	(13,478)	(1,070)	(11,098)
Net investment earnings	4,997	1,092	1,122	7,211
Income (loss) before income taxes	8,447	(12,386)	52	(3,887)
Income tax recovery	–	(3,645)	(19)	(3,664)
Net income (loss)	$ 8,447	$ (8,741)	$ 71	$ (223)

	(thousands of $)			
	three months ended September 30, 2016			
	Saskatchewan	SCISL	Coachman	Total
Net premiums written	$ 128,670	$ 43,682	$ 18,613	$ 190,965
Net premiums earned	113,954	32,965	14,908	161,827
Net claims incurred	90,478	32,020	12,106	134,604
Other expenses	46,927	12,034	4,437	63,398
Underwriting loss	(23,451)	(11,089)	(1,635)	(36,175)
Net investment earnings	11,820	2,591	2,853	17,264
Income (loss) before income taxes	(11,631)	(8,498)	1,218	(18,911)
Income tax expense (recovery)	–	(2,525)	263	(2,262)
Net income (loss)	$ (11,631)	$ (5,973)	$ 955	$ (16,649)

	(thousands of $) six months ended September 30, 2017				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 279,726	$ 103,299	$ 39,433	$ –	$ 422,458
Net premiums earned	240,655	81,805	35,864	–	358,324
Net claims incurred	152,656	65,421	24,612	–	242,689
Other expenses	87,073	30,452	11,758	–	129,283
Underwriting income (loss)	926	(14,068)	(506)	–	(13,648)
Net investment earnings	9,198	2,183	2,384	–	13,765
Income (loss) before income taxes	10,124	(11,885)	1,878	–	117
Income tax expense (recovery)	–	(3,626)	337	–	(3,289)
Net income (loss)	$ 10,124	$ (8,259)	$ 1,541	$ –	$ 3,406
Total assets	$ 869,769	$ 329,770	$ 263,824	$ (49,380)	$ 1,413,983
Total liabilities	$ 648,337	$ 271,681	$ 189,233	$ (49,380)	$ 1,059,871
Shareholder's equity	$ 221,432	$ 58,089	$ 74,591	$ –	$ 354,112

	(thousands of $) six months ended September 30, 2016				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 261,350	$ 84,771	$ 36,212	$ –	$ 382,333
Net premiums earned	226,492	63,606	29,142	–	319,240
Net claims incurred	139,828	54,334	21,764	–	215,926
Other expenses	89,590	22,584	9,016	–	121,190
Underwriting loss	(2,926)	(13,312)	(1,638)	–	(17,876)
Net investment earnings	19,705	4,445	5,036	–	29,186
Income (loss) before income taxes	16,779	(8,867)	3,398	–	11,310
Income tax expense (recovery)	–	(2,662)	780	–	(1,882)
Net income (loss)	$ 16,779	$ (6,205)	$ 2,618	$ –	$ 13,192
Total assets	$ 833,537	$ 290,582	$ 249,893	$ (59,796)	$ 1,314,216
Total liabilities	$ 634,447	$ 224,415	$ 174,218	$ (59,796)	$ 973,284
Shareholder's equity	$ 199,090	$ 66,167	$ 75,675	$ –	$ 340,932

13. Contingencies

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Corporation.

During 2014, the Corporation sold the shares of its 75%-owned subsidiary, ICPEI, for a purchase price equal to ICPEI's book value as at the transaction closing date, June 30, 2014. As part of the sale agreement, 54 months after the closing date, the purchaser shall deliver to the Corporation a report of the ultimate losses prior to June 30, 2014, certified by the purchaser's appointed actuary. If the amount of the final closing date ultimate loss is greater than the initial closing date ultimate loss, a deficiency, the Corporation shall pay to the purchaser an amount equal to the lesser of $1,500,000 or 75% of the deficiency. Conversely, if the amount of the final closing date ultimate loss is less than the initial closing date ultimate loss, a surplus, the purchaser shall pay to the Corporation an amount equal to the lesser of $1,500,000 or 75% of the surplus. The purchaser is required to provide the Corporation with an estimate of the amount annually. As at December 31, 2016, the date of the last actuarial valuation report, a surplus of $2,280,000 (December 31, 2015 – $1,370,000) was estimated. The estimated $1,500,000 receivable has not been recorded in these Consolidated Financial Statements.

14. Comparative Financial Information

For comparative purposes, certain 2016 expenses were reclassified from commissions to administrative expenses to conform to 2017 financial years statement presentation.